



FIGURE II

CEO Compensation versus Firm Size across Countries

Notes. Compensation data are from Towers Perrin (2002). They represent the total dollar value of base salary, bonuses, and long-term compensation of the CEO of “a company incorporated in the indicated country with \$500 million in annual sales.” Firm size is the 2000 median net income of a country’s top 50 firms in Compustat Global.

We rely on a survey released by Towers Perrin (2002), a leading executive compensation consulting company. This survey provides levels of CEO pay across countries, for a typical company with \$500 million of sales in 2001. The data are of lesser quality than normal academic work, so all the results in the section should be simply taken as indicative. To obtain information on the characteristics of a typical firm within a country, we use Compustat Global data for 2000. We compute the median net income (data32) of the top 50 firms, which gives us a proxy for the country-specific reference firm size. We choose net income as a measure of firm size, because market capitalization is absent from the Compustat Global data set. We choose 50 firms because requiring a markedly higher number of firms would lead us to drop too many countries from the sample. We convert these local currency values to dollars using the average exchange rate in 2001.

We then regress the log of the country CEO compensation (heading a company of a fixed size) on the log of country *i*’s